

STATEMENT

OF

MR. MARK KAISER

BOARD MEMBER

ALABAMA PEANUT PRODUCERS ASSOCIATION

SEMINOLE, ALABAMA

SOUTHERN PEANUT FARMERS FEDERATION

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON AGRICULTURE

SEPTEMBER 20, 2006

Good Morning Chairman Goodlatte, Members of the Committee, my name is Mark Kaiser. I am a peanut producer from Seminole, Alabama. I am on the Board of the Alabama Peanut Producers Association and am here today representing the Southern Peanut Farmers Federation. The Federation is comprised of the Alabama Peanut Producers Association, the Georgia Peanut Commission, the Florida Peanut Producers Association and the Mississippi Peanut Growers Association. Our grower organizations represent over 80% of the peanuts grown in the United States.

I am a proud family farmer. I raise Peanuts, Cattle, Hay, and Timber. My family has been farming in Baldwin County since 1906. I received a BS in Ag Business Economics from Auburn University, and I am a member of the Baldwin County Farmers Federation Board of Directors.

First, I want to thank you Mr. Chairman for the House Agriculture Committee's field hearings around the country to hear from our nation's farmers. This includes a hearing in my home state of Alabama. We are proud of our Alabama members of the Committee but especially appreciate Congressman Terry Everett's leadership in moving the U.S. peanut program from a supply-management program to a more market oriented program in the 2002 Farm Bill. The Committee's foresight protected those U.S. quota holders who had invested their money in peanut quota for many years. These changes allowed our industry to move into the future with a program designed to make U.S. peanut producers competitive in both the domestic and export marketplaces.

According to the University of Georgia's National Center for Peanut Competitiveness, since 2002, the U.S. total peanut domestic consumption has increased by 16.5%. The new peanut program has encouraged peanut product manufacturers to

develop new products and spend more money on marketing these products. Despite the NAFTA and the Uruguay Round of GATT trade agreements allowing peanut imports to increase significantly, reaching a high of 71,782 metric tons in 2001, the new peanut program has provided U.S. producers the ability to compete with these imports. The 2005 peanut import level was just 12,196 metric tons which is an 83% drop in imports. The U.S. peanut industry can compete and be successful.

Unlike the old quota program, the new program has also allowed producers to more readily enter peanut production. In Alabama alone, peanut production has expanded from 15 counties in 2002 to 32 counties in 2005. Alabama is now the second ranking peanut producing state in the United States. Georgia has expanded production to counties that traditionally have been limited in the number of commodity options for producers. The Georgia 2005 peanut crop was valued at approximately \$370 million pushing 50,000 jobs into Georgia's economy. Seventy Georgia counties are directly impacted by peanut production. South Carolina and Mississippi are now for the first time important peanut states. Our Florida producers have also expanded production providing new opportunities for young producers.

The Southern Peanut Farmers Federation has met with other segments of the industry including buying points, shellers and manufacturers and each have indicated they were pleased with the 2002 Farm Bill. Each segment of the industry supported the peanut title of the 2002 Farm Bill.

As we discussed at the Committee's Auburn hearing, that while the Congress passed a very respectable peanut program in 2002, the administration of the peanut program by the U.S. Department of Agriculture has not been as successful. While the

domestic marketplace has seen a healthy increase in demand from consumers and production growth for producers, this has not been the case for the peanut export market.

The USDA has continued to set the loan repayment rate for peanuts too high. Despite language to the contrary in the 2002 Farm Bill, the Department has relied far too much on data unrelated to the price other export nations are marketing peanuts for in the world marketplace. U.S. peanut producers have lost a significant portion of their export market notwithstanding the changes invoked by the 2002 Farm Bill. Our present export situation is directly related to the high loan repayment rate set by USDA. The 2002 Farm Bill directed the Secretary to establish a loan repayment rate that the Secretary determines will:

- Minimize potential loan forfeitures
- Minimize the accumulation of stocks of peanuts by the Federal Government
- Minimize the cost by the Federal Government in storing peanuts
- Allow peanuts produced in the United States to be marketed freely and competitively, both domestically and internationally.

It is this last point that is most problematic. The Federation believes that USDA is not sufficiently considering the competition in the world marketplace. This lack of response to competition from other origins has critically wounded our export programs.

We have been encouraged by meeting in Washington, D.C. with USDA Farm Service Agency economists. At this meeting, peanut producers offered three options for achieving a more accurate posted price.

- USDA should use the International Trade Commission methodology to convert shelled stock prices to farmers stock. This has been accepted as a suitable method within the U.S. industry and internationally.
- USDA should ask the Foreign Agricultural Service to collect farmer stock information from U.S. agricultural attaches in peanut exporting countries such as India, China and Argentina.
- Another option may be a percentage value difference of shelled goods from the U.S. versus other peanut origins. Domestic farmers stock prices could be factored to determine the value of other origin farmers stock and those values included in the USDA posted price formula.

The Southern Peanut Farmers Federation is scheduling a series of producer hearings after this crop harvest is complete to discuss the various components of the peanut program and how effective it was for the 2006 crop. We will continue to work with our industry partners and communicate any additional suggestions for the Farm Bill to the House Agriculture Committee.

At present, we support the continuation of the structure of the current program but will seek to update specific provisions. The current program should be considered the

basis for the next program. When the 2002 Farm Bill was drafted, peanut producers did not envision record high energy prices that impact our major crop inputs including fuel, fertilizer and chemicals. The 2006 peanut crop has felt the full impact of these increased costs. It is important that the next Farm Bill not rest on the backs of declining farm equity. In Alabama, we saw more than a 26 % reduction in peanut plantings for the 2006 crop year. High energy costs and weak contract offers are the primary variables for less acreage. Weak contract offers are a direct result of the loan repayment rate being set too high. With a declining export market, peanuts are not moving out of the loan quickly enough resulting in a buyers' market.

As the Committee is aware, the storage and handling fees provided in the 2002 Farm Bill are eliminated for the 2007 crop year. Producers consider this an integral part of the peanut program. Without these fees, the marketing loan will be reduced, for producers, in excess of \$50 per ton. With a 26 % reduction in Alabama production in the 2006 crop year, peanut plantings could fall below pre-2002 levels in the 2007 crop year if these fees are not restored. I would be remiss not to point out to the Committee that if these fees are not included in the 2007 Farm Bill, these costs will be passed on to the peanut producer. The \$355 per ton marketing loan rate in the 2002 Farm Bill will now be reduced to an approximately \$300 per ton marketing loan rate. Producers in the Southeast will not plant peanuts at this level. If the storage and handling fees are eliminated in the next Farm Bill, the Federation requests that the Committee consider options for replacing those fees that will prevent this financial burden being placed on the producer.

Most peanut producers are involved in other farm enterprises as well. In our area, most peanut producers are also cotton producers. With the increased pressure on farmers due to markets, fuel prices, etc, I would urge Congress to assure that the benefits of these programs go to the individuals who are assuming the risk associated with farming. This assures that the program is effective for the producer as well as more cost efficient for the government.

Finally, our peanut producers in the Southeast are very concerned about the revival of the World Trade Organization negotiations. The Federation has met with the Office of the U.S. Trade Representative on several occasions but they do not seem to understand that the U.S. peanut producer problem is not closed foreign markets but a USDA loan repayment rate set far too high, assuring that potential foreign buyers find U.S. peanuts cost prohibitive. In addition, to allow Less Developed Countries access to markets import and duty free could severely impact U.S. peanut producers. The list of countries involved in this sector produce over twice as many peanuts as U.S. producers. We appreciated Chairman Goodlatte conveying the Committee's concerns about the Doha Round negotiations to the Administration. U.S. peanut producers believe Congress should set U.S. agricultural trade policy, not the leadership of South America or Europe.

I am grateful for the opportunity to be here today representing peanut growers.

Thank you.

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name: Mark Bryant Kaiser
Address: 20141 CC Road Seminole, AL 36574
Telephone: 251-424-4889
Organization you represent (if any): Alabama Peanut Producers Association

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: _____ Amount: _____
Source: _____ Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2004, as well as the source and the amount of each grant or contract:

Source: _____ Amount: _____
Source: _____ Amount: _____

Please check here if this form is NOT applicable to you: _____

Signature: Mark B. Kaiser

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

Committee on Agriculture
U.S. House of Representatives
Information Required From Non-governmental Witnesses

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Mark Kaiser
2. Business Address: 28137 Kaiser Rd.
Elberta, AL 36530
3. Business Phone Number: 251-946-2260
4. Organization you represent: Alabama Peanut Producers Assn
5. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:
Peanut Producer
6. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:
BS in Ag. Business Economics
7. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:
Board Member Alabama Peanut Producers Assn.
member of the Baldwin County Farmers Federation Board of Directors

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.